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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re
 Asset Resolution, LLC,

 Debtor.

CASE NO. BK-S-09-32824-RCJ (Lead Case)

Jointly Administered With Case Nos.,
 BK-S-09-32831-RCJ; BK-S-09-32839-RCJ;
 BK-S-09-32843-RCJ; BK-S-09-32844-RCJ;
 BK-S-09-32846-RCJ; BK-S-09-32849-RCJ;
 BK-S-09-32851-RCJ; BK-S-09-32853-RCJ;
 BK-S-09-32868-RCJ; BK-S-09-32873-RCJ;
 BK-S-09-32875-RCJ; BK-S-09-32878-RCJ;
 BK-S-09-32880-RCJ; BK-S-09-32882-RCJ

Chapter 7

- ☐ Affects all Debtors
- ☒ Affects the following Debtor(s):
- ☒ Asset Resolution, LLC, 09-32824
 - ☐ Bundy 2.5 Million SPE, LLC, 09-32831
 - ☐ Bundy Five Million SPE, LLC, 09-32839
 - ☐ CFP Anchor B SPE, LLC, 09-32842
 - ☐ CFP Cornman Toltec SPE, LLC, 09-32846
 - ☐ CFP Gess SPE LLC, 09-32846
 - ☐ CFP Gramercy SPE, LLC, 09-32849
 - ☐ Fiesta Stoneridge, LLC, 09-32851
 - ☐ Fox Hills SPE, LLC, 09-32853
 - ☐ HFAH Monaco SPE LLC, 09-32868
 - ☐ Huntsville SPE LLC, 09-32873
 - ☐ Lake Helen Partners SPE LLC, 09-32875
 - ☐ Ocean Atlantic SPE LLC, 09-32878
 - ☐ Shamrock SPE LLC, 09-32880
 - ☐ 10-90 SPE, LLC, 09-32882

**LOS ANGELES COUNTY TAX
 COLLECTOR'S REPLY TO TRUSTEE'S
 OPPOSITION TO MOTION (1) TO
 DISMISS DEBTOR'S BANKRUPTCY
 CASE PURSUANT TO 11 U.S.C. § 707(a);
 OR, IN THE ALTERNATIVE, (2) FOR
 RELIEF FROM THE AUTOMATIC STAY
 PURSUANT TO 362(b)(18);
 DECLARATION OF BARRY S. GLASER
 IN SUPPORT THEREOF**

Hearing Date:

Date: December 16, 2010

Time: 9:00 a.m.

Place: RCJ - Courtroom 6

Bruce R. Thompson Federal Building
 400 S. Virginia Street
 Reno, NV 89501

AND

RCJ - Courtroom 7D

Lloyd D. George Courthouse
 333 Las Vegas Blvd. South
 Las Vegas, NV 89101

Judge: Hon. Robert C. Jones

1 **I. INTRODUCTION**

2 The Trustee attempts to avoid responsibility for his failure to pay post-petition *ad*
 3 *valorem* real property taxes by opposing the relief sought herein. First, the Trustee claims
 4 the Debtors have no ownership interest in the subject real properties, despite statements
 5 directly to the contrary in the Debtors' schedules. If Trustee's claims are accurate, a
 6 comfort order by this Court is appropriate, setting forth that the subject real properties are
 7 not owned by the estates, the automatic stay is inapplicable and that the Los Angeles
 8 County Tax Collector ("County") is entitled to pursue state court remedies regarding the
 9 collection of the *ad valorem* taxes, penalties and interest. If the Court makes the initial
 10 determination and the subject real properties are, in fact, the assets of the Debtors' estate,
 11 then it will be necessary for this Court to consider the appropriate relief sought herein by
 12 the County.

13 Second, several of the subject real properties have tax defaulted since 2006 and
 14 may be subject to a tax sale in 2011.

15 Third, as a result of the Trustee's failure to pay post-petition *ad valorem* real
 16 property taxes on the subject real properties, the County has established grounds for this
 17 Court to either dismiss the related bankruptcy cases or grant the County relief from stay
 18 to pursue all of its state court enforcement / collection remedies.

19 **II. TRUSTEE'S CLAIM THAT DEBTORS DO NOT HAVE AN OWNERSHIP**
 20 **INTEREST IN THE SUBJECT REAL PROPERTIES IS DIRECTLY**
 21 **CONTRADICTED BY DEBTORS' OWN SCHEDULES FILED IN**
 22 **CONNECTION WITH THIS BANKRUPTCY**

23 The Trustee claims in his Opposition that:

24 "...neither the Trustee nor the bankruptcy estates own the
 25 properties at issue. The bankruptcy estate holds a Direct Lender
 26 interest in these properties, and is a secured creditor with security
 27 interests in the properties – just like the L.A. Tax Collector. The
 28 Trustee is not the party responsible for making the delinquent tax
 payments, and thus the statutory provisions rotely recited by the
 L.A. Tax Collector are largely irrelevant." Opposition, p. 2, lines
 22-26.

1 The Debtors' Schedules, filed in connection with this bankruptcy,
 2 directly contradict the Trustee's claims. Specifically, Schedule "A" [Real
 3 Property] contains a chart (Schedule A-1-1 Real Property (ARC)) identifying a
 4 series of real properties. One of the columns in Schedule A-1-1 is entitled
 5 "Nature of Debtor's Interest in Property." With respect to the two real properties
 6 at issue here (Castaic II and Castaic III), "Nature of Debtor's Interest in Property
 7 column in Schedule A-1-1 lists the following: "1.60% fee simple and 7.59% fee
 8 simple." [See Declaration of Barry S. Glaser attached hereto, Ex. "1"]. Thus,
 9 contrary to Trustee's claims in his Opposition, the Debtors do appear to claim a
 10 fee simple interest in the subject real properties and are not merely secured
 11 creditors as the Trustee claims. Furthermore, the Debtors identified the Los
 12 Angeles County Treasurer as a Creditor in Schedule "F." (The County should
 13 have been listed as a secured creditor).

14 However, despite the Schedules, if the Court agrees with the Trustee that
 15 Debtors have no ownership interest in the subject real properties, the County
 16 respectfully seeks a comfort order confirming that Debtors have no interest in
 17 the subject real properties, that the automatic stay is inapplicable to the subject
 18 properties, and that the Los Angeles County Tax Collector is free to seek all
 19 applicable state court remedies to enforce its tax liens against the subject real
 20 properties.

21 **III. SEVERAL OF THE SUBJECT REAL PROPERTIES HAVE BEEN IN**
 22 **DEFAULT WITH RESPECT TO PROPERTY TAXES SINCE TAX YEAR**
 23 **2005 AND ARE SUBJECT TO A TAX SALE IN 2011**

24 Exhibit "D" to the Declaration of Barry S. Glaser in support of the instant motion
 25 attaches the tax bills for the subject real properties. Ignoring the Castaic properties,
 26 several of the subject real properties (i.e. Castaic II and Castaic III) were tax defaulted in
 27 2006 for unpaid *ad valorem* taxes from 2005. Thus, the County could conduct a tax sale

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1 of these properties in 2011. As such, and contrary to the Trustee's position in the
2 Opposition, this issue is ripe for decision now.

3 **IV. THE COURT SHOULD GRANT RELIEF FROM STAY SO THAT THE**
4 **COUNTY CAN PURSUE THE ENFORCEMENT OF ITS TAX LIENS**
5 **UNDER APPLICABLE STATE LAW**

6 If it is true that, as the Trustee contends in his Opposition, but contrary to the
7 Debtors' schedules, that the Debtors have no ownership interest in the subject properties,
8 then the subject properties are not necessary for the liquidation of the Debtors' assets and
9 distribution to creditors and relief should be granted.

10 Here, contrary to the Trustee's contention, the County is not relying on Section
11 362(b)(18) to collect property taxes or foreclose upon the subject properties and the
12 County does not dispute that such liens have been created post-petition. What is required
13 to obtain the relief sought is simply sufficient "cause" in the circumstances of this case.
14 Courts have construed the failure to pay post-petition taxes, by itself, can constitute cause
15 under Section 362(d)(1). See Ellis v. Par (In re: Ellis), 60 B.R. 432, 435 (B.A.P. 9th Cir.
16 1995). As such, relief from stay should be granted.

17 **V. THE LOS ANGELES COUNTY TAX COLLECTOR HAS GOOD CAUSE**
18 **TO DISMISS THE BANKRUPTCY AS A RESULT OF THE TRUSTEE'S**
19 **FAILURE TO PAY POST PETITION PROPERTY TAXES**

20 The Trustee goes on, at length, to allege that the Los Angeles County Tax
21 Collector is attempting to convince this Court to favor one creditor over the others, but
22 the fact remains that the Trustee has an affirmative duty to pay post-petition property tax
23 obligations of the Debtors in the ordinary course of business. The consequences of the
24 Trustee's failure to pay such post-petition property taxes are not contemplated by the
25 Bankruptcy Code in a Chapter 7 proceeding, nor in any of the authorities cited by the
26 Trustee in his Opposition to allegedly address the first element of the two part test in In re
27 Padilla, 222 F.3d 1184, 1191 (9th Cir. 2000).

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1 The County's asserted cause for seeking dismissal of the Debtor's bankruptcy
 2 case is not about bankruptcy priority, or any attempt by the County to seek to reorder
 3 payment priority. The Trustee's reliance on the priority scheme and Section 507 is
 4 irrelevant and is merely an attempt to confuse the Court.

5 Similarly, the Trustee's reliance on Section 502(i) is also misleading because that
 6 statute deals specifically with a tax entitled to priority under Section 507(a)(8), which is
 7 an unsecured priority claim. Thus, the County's secured claim does not fall within
 8 Section 507(a)(8) and Section 502(i) is likewise irrelevant.

9 **VI. THE TRUSTEE'S PREJUDICE ARGUMENT IS UNPERSUASIVE**

10 The Trustee argues in his Opposition that if the bankruptcy case is dismissed,
 11 there would be prejudice, citing as examples, a "torrent" of foreclosures and forced sales.
 12 The court in the case of In re Hickman, 384 B.R. 832, 841 (B.A.P. 9th Cir. 2008), cited by
 13 the Trustee in his Opposition, recognized that:

14 "A debtor invoking the protection of the Bankruptcy Code must shoulder
 15 the responsibilities attendant to this protection, including accounting for
 16 assets and completing schedules in good faith, and may not engage in
 17 questionable or fraudulent conduct and then expect to have the case
 18 dismissed once such conduct is discovered." Id. at 841.

19 Similarly, the Trustee in the instant case may not refuse to pay post-petition
 20 property taxes, as it is obligated to do pursuant to 28 U.S.C. §960, and then attempt to
 21 avoid responsibility for his conduct by claiming prejudice.

22 **VII. CONCLUSION**

23 Based upon the foregoing, the Los Angeles County Tax Collector respectfully
 24 requests that the Court grant the relief requested in its Motion.

25 Dated: December 9, 2010

STECKBAUER WEINHART JAFFE, LLP

26 By: /s/ Barry S. Glaser

Barry S. Glaser

James M. Gilbert

27 Attorneys for the Los Angeles County Tax Collector

DECLARATION OF BARRY S. GLASER

I, Barry S. Glaser, declare:

1. I am an attorney duly admitted to practice before this Court on a pro hac vice basis. I am a partner with law firm of Steckbauer Weinhart Jaffe, LLP, attorneys of record for the Los Angeles County Tax Collector (the "County"). I submit this Declaration in support of the Reply to the Opposition to the Motion to (1) Dismiss Debtor's Bankruptcy Case Pursuant to 11 U.S.C. § 707(a); or in the alternative, (2) for Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(b)(18) (the "Motion"). If called as a witness, I could and would competently testify to all set forth herein facts within my personal knowledge except where stated upon information and belief.

2. For the Court's convenience, attached hereto as Exhibit "1" is a true and correct copy of the first three (3) pages Debtors' Summary of Schedules, Schedule A – Real Property and Schedule A-1-1 Real Property (ARC) which Debtors filed in this bankruptcy while it was pending in the Southern District of New York. On Schedule A-1-1, I handwrote brackets around the two relevant sections in Schedule A-1-1 by which Debtors stated they held a fee simple interest in the subject real properties.

I declare, under penalty of perjury, under the laws of the United States of America, that the foregoing is true and correct.

Executed December 9, 2010, at Los Angeles, California.

/s/ Barry S. Glaser
Barry S. Glaser

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EXHIBIT “1”

B6 Summary (Official Form 6 - Summary) (12/07)

United States Bankruptcy Court
Southern District of New York

In re **Asset Resolution LLC**

Debtor

Case No. **09-16142 (AJG)**Chapter **11**

SUMMARY OF SCHEDULES

Indicate as to each schedule whether that schedule is attached and state the number of pages in each. Report the totals from Schedules A, B, D, E, F, I, and J in the boxes provided. Add the amounts from Schedules A and B to determine the total amount of the debtor's assets. Add the amounts of all claims from Schedules D, E, and F to determine the total amount of the debtor's liabilities. Individual debtors must also complete the "Statistical Summary of Certain Liabilities and Related Data" if they file a case under chapter 7, 11, or 13.

NAME OF SCHEDULE	ATTACHED (YES/NO)	NO. OF SHEETS	ASSETS	LIABILITIES	OTHER
A - Real Property	Yes	1	10,641,166.25		
B - Personal Property	Yes	4	412,856,836.70		
C - Property Claimed as Exempt	No	0			
D - Creditors Holding Secured Claims	Yes	1		0.00	
E - Creditors Holding Unsecured Priority Claims (Total of Claims on Schedule E)	Yes	1		0.00	
F - Creditors Holding Unsecured Nonpriority Claims	Yes	379		22,642,531.77	
G - Executory Contracts and Unexpired Leases	Yes	1			
H - Codebtors	Yes	1			
I - Current Income of Individual Debtor(s)	No	0			N/A
J - Current Expenditures of Individual Debtor(s)	No	0			N/A
Total Number of Sheets of ALL Schedules		497			
Total Assets			423,498,002.95		
Total Liabilities				22,642,531.77	

B6A (Official Form 6A) (12/07)

In re Asset Resolution LLC

Case No. _____

Debtor

SCHEDULE A - REAL PROPERTY

Except as directed below, list all real property in which the debtor has any legal, equitable, or future interest, including all property owned as a cotenant, community property, or in which the debtor has a life estate. Include any property in which the debtor holds rights and powers exercisable for the debtor's own benefit. If the debtor is married, state whether husband, wife, both, or the marital community own the property by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor holds no interest in real property, write "None" under "Description and Location of Property."

Do not include interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.

If an entity claims to have a lien or hold a secured interest in any property, state the amount of the secured claim. See Schedule D. If no entity claims to hold a secured interest in the property, write "None" in the column labeled "Amount of Secured Claim." If the debtor is an individual or if a joint petition is filed, state the amount of any exemption claimed in the property only in Schedule C - Property Claimed as Exempt.

Description and Location of Property	Nature of Debtor's Interest in Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption	Amount of Secured Claim
See Attached Schedules A-1-1		-	10,641,166.25	0.00

Sub-Total > **10,641,166.25** (Total of this page)

Total > **10,641,166.25**

(Report also on Summary of Schedules)

0 continuation sheets attached to the Schedule of Real Property

SCHEDULE A-1-1 REAL PROPERTY (ARC)

REPORTING ENTITY	DESCRIPTION OF UNDERLYING PROPERTY	PROPERTY ADDRESS	INTEREST	DEED, CONTRACT, EASEMENT, ETC.	ACQUIRED DATE
Asset Resolution LLC	residential land development located in Paso Robles, CA	Oak Shores II	0.04% fee simple	\$1,450.18	\$0.00
	residential land development located in Riverbank, CA	Baldwin/S15, 309,000	0.07% fee simple	\$2,875.62	\$0.00
	residential land development located in Casa Grande, AZ	Communa Toltec 190, LLC	0.08% fee simple	\$1,242.35	\$0.00
	residential land development located in West Palm Beach, FL	Forall 216, LLC	0.10% fee simple	\$3,665.13	\$0.00
	residential land development located in Livingston, CA	FFA - Clear Lake 2nd	0.29% fee simple	\$0.00	\$0.00
	residential land development located in Manteca, CA	Del Valle - Livingston	0.71% fee simple	\$2,579.29	\$0.00
	residential land development located in Manteca, CA	Bundy Canyon \$5,000,000	0.67% fee simple	\$2,763.43	\$0.00
	residential land development located in Manteca, CA	Fiesta Manteca	1.46% fee simple	\$24,004.01	\$0.00
	residential land development located in Castaic, CA	Castaic Partners III, LLC	1.60% fee simple	\$38,714.94	\$0.00
	condo conversion located in Amesbury, MA	Amesbury/Hatters Point	1.96% fee simple	\$113,365.16	\$0.00
	residential land development located in Huntsville, TX	Huntsville	4.77% redemption right	\$113,365.16	\$0.00
	residential land development located in Tracy, CA	Mountain House Business Park	5.38% fee simple	\$205,593.75	\$0.00
	land to be developed into residential timeshares located in Orlando, FL	The Gardens, LLC \$2,425,000	5.53% fee simple	\$14,918.59	\$0.00
	residential condo development located in Palm Harbor, FL	Palm Harbor One	5.60% fee simple	\$567,862.30	\$0.00
	grocery-anchored retail located in Ann Arbor, MI	Harbor Georgetown	5.90% fee simple	\$98,090.91	\$0.00
	residential land development located in Castaic, CA	Castaic Partners II, LLC	7.59% fee simple	\$272,531.25	\$0.00
	residential land development located in Los Banos, CA	Eagle Meadows Development	11.76% fee simple	\$405,686.64	\$0.00
	residential condo development located in Houston, TX	Ganemey Court Condos	13.10% fee simple	\$2,620,000.00	\$0.00
	residential land development located in Yorkville, IL	Ocean Atlantic \$9,425,000	14.61% fee simple	\$131,810.50	\$0.00
	medical office building located in Indianapolis, IN	Birford Medical Developers	17.25% fee simple	\$803,691.28	\$0.00
	residential land development located in Satellite Beach, FL	Comvest Castaic	17.82% fee simple	\$139,650.00	\$0.00
	residential land development located in San Luis Obispo, CA	Margaria Annex	24.42% fee simple	\$1,468,092.08	\$0.00
	residential land development located in Lake Helen, FL	Lake Helen Partners	28.84% fee simple	\$219,218.53	\$0.00
	residential timeshare units located in Orlando, FL	The Gardens, LLC Timeshare	31.03% fee simple	\$202,593.10	\$0.00
	residential land development located in Manteca, CA	Brookmead/Madison \$27,050,000	33.88% fee simple	\$0.00	\$0.00
	land development - hotel located in Fort Myers, FL	HFAL/Monaco	100.00% fee simple	\$2,000,000.00	\$0.00
	land to be developed into residential timeshares located in Orlando, FL	The Gardens Phase II	100.00% fee simple	\$500,000.00	\$0.00
	residential land development located in Athens, OH	University Estates	100.00% fee simple	\$1,000,000.00	\$0.00

FOOTNOTES